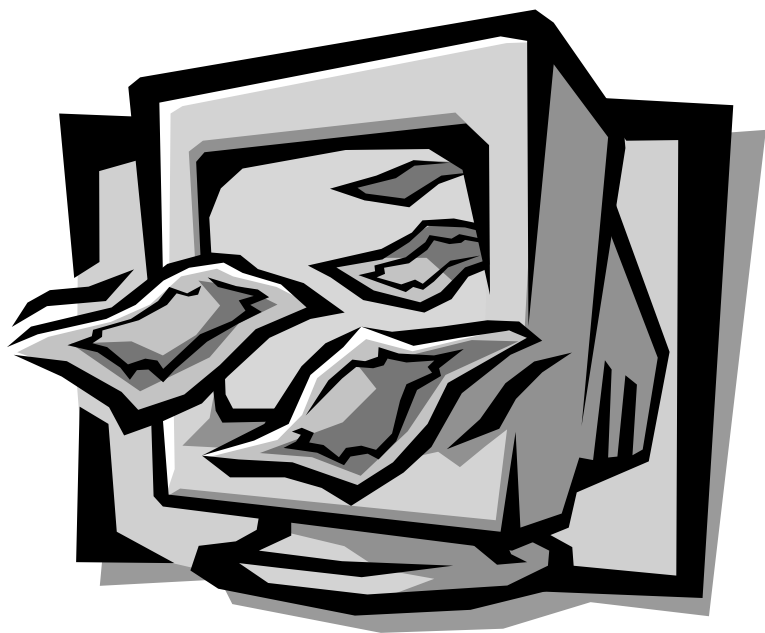


DISTRICT FINANCES



Budgeting

The importance of having a budget cannot be understated. In fact, it is absolutely critical to an RCD's success because it is the financial foundation on which monetary and policy decisions are made. Most districts have limited resources. The budget is a formal process of making decisions and allocating resources, so that a district's strategic plan can be implemented.

*As a director, it is critical that **you** participate in the budgeting process.* The budget provides you with information and also serves as a record of decisions that have already been made. There are numerous ways in which a budget can be developed. The type of budget used by your district will depend on many variables including staffing, financial resources, individual personalities, as well as the risks and benefits inherent within your district.

Budgets include both revenues and expenditures. Your district must identify its funds and then decide how to spend those resources to achieve its goals. It is important to anticipate unexpected costs. Therefore, a financial cushion and even a reserve should be built into the budget. The budget should also include: costs associated with specific projects; daily operating expenses for staffing, overhead, insurance, utilities, etc.; and equipment purchase, maintenance and depreciation. The budget provides you with a tool that can be used to compare estimated revenues and expenditures with actual monies received and spent at year's end.

The budget is a working document. The district must determine a fiscal year, such as July 1st, and use that as the starting point for the budget. However, the board should revisit the budget throughout the year,

modifying it as necessary. Unlike many organizations, most RCDs cannot rely on a steady stream of revenues but are funded on a sporadic and inconsistent basis. Therefore, the budget must be revised as revenues are received. It is critical that the board actively manage the district budget to ensure financial solvency. It is also a good idea to have contingency plans. If the budget does not function as developed, the district should be prepared with other alternatives and ideas.

Budgets are financial road maps. Without a map, when traveling, you would be lost. Budgets provide a sense of direction and are a necessary tool available to assist directors in fulfilling their duties. Therefore, because of its importance, *it is recommended that you or your district purchase a book and/or take training about the budgeting process.*

Funding

No organization can operate without funding. Getting money to implement your district's annual and strategic plan is a huge challenge. It is not easy, but absolutely necessary.

Each district is unique and serves different constituents. It is important for your district to identify the critical local issues and establish a list of priorities. This list will be used to develop the strategic plan. As a director, you have a responsibility to participate in this process. Once the strategic plan has been developed, an annual plan must be created. In fact, this is one of the district's duties identified in Division 9 in order to receive certain types of funding. Having a plan is an accomplishment but without funding, the plan will never be implemented. Therefore, it is imperative that funding be obtained. Fortunately, there are numerous ways that a district

can get funds. This takes creativity, persistence, hard work, dedication and the recognition that it is not only an ongoing activity but also, never-ending. The following list identifies common sources of funding that districts may use to fund their organization.

Property Tax Assessments:

Tax assessments are a vital source of funds for some districts, however the passage of Proposition 13 in 1978 significantly curtailed a district's ability to derive revenues from new property tax assessments. New assessments require two-thirds voter approval within the district. Districts receiving property tax revenues prior to Proposition 13 generally continue to receive county collected property taxes that are proportionate to their pre-Proposition 13 share of the property taxes in the County.

Fundraising Projects:

Districts can engage in a broad range of fundraising activities and can be quite entrepreneurial in spirit. However, care should be taken to ensure fundraising activities remain ethical and do not create conflicts of interest among board directors or staff. Fundraising activities may include holding fundraising drives and appealing for donations, gifts, and project sponsorships; accepting funds from community and family foundations; special events (tree sales, bake sales, golf tournaments, walk-a-thons, etc.); receiving fees for admission to a dinner honoring a guest; selling conservation-related items. The board ensures that the district holds fundraisers that can withstand ethical scrutiny. The publication, *Standards for Charitable Solicitations*, issued by the Council of

Better Business Bureaus, provides detailed information on ethics and fundraising.

Fees for Services:

According to section 9403.5 of Division 9, districts are authorized to charge and receive fees for services. Fees may not exceed the cost reasonably borne by a district in providing the service. Fees can include the costs of staff time, overhead, benefits, travel, postage, and materials necessary to perform the service. The district must use caution to ensure that they do not compete with local businesses. Some of the services that may be appropriate for charging fees include the rental of conservation equipment, erosion control planning and evaluation, review of environmental impact reports for local governments, conservation education, workshops, tours, and fees for district newsletter advertising. In certain situations, districts may find that the sense of value placed on a service by customers is enhanced when there is a fee associated with it. In other situations fees may discourage the demand for district services, particularly if a potential customer has the option of receiving the same service elsewhere at a lower cost. The decision to charge fees for services ultimately must be made by the district board, based upon the specific circumstances of the district. However, it is important to recognize that districts may be liable for legal claims if the services are not performed properly or property is damaged. Legal advice and appropriate insurance are vital parts of a service program.

Grants:

Grant funding is available from numerous sources including governmental agencies, businesses, foundations, individuals, and local organizations. It is important to recognize that each grantor has specific goals and objectives when providing funds. Before submitting any proposal, research or contact the funding agency to determine if your district is eligible for a grant. Each grantor has specific requirements and unique forms. It is absolutely critical that the district meet all the requirements necessary to submit a proposal. Some grantors will only grant to 501(c)(3) not for profit organizations. If you determine you would like to apply for such a grant, contact CARCD or your regional Resource Conservation and Development Council for their assistance.

Federal: The federal government offers a wide variety of grants and loans, many of which a district is eligible to receive. Numerous agencies provide funding including the Department of Agriculture, Bureau of Land Reclamation, Environmental Protection Agency, U.S. Fish and Wildlife Service, Department of Interior, Department of Transportation and many more. Don't hesitate to ask agency representatives and other RCDs if they know of other federal programs for which your district may be eligible.

State: California agencies provide millions of dollars in competitive grants and loans. Districts are eligible to submit proposals for grant funding to numerous departments including the Departments of Conservation, Fish and Game, Forestry, Parks and Recreation, Education, CALTRANS, and many more. It is critical for

districts to recognize that funding becomes available continuously throughout the year. Therefore, your district must be persistent and constantly looking for opportunities. Networking with other districts, board members and employees and sharing funding ideas often makes the difference between a successful district and one that is not so successful.

Local: Many districts do not maximize the use of local resources, but rely more often on federal and state programs. However, local grants and loans should not be overlooked. It is important for the district to develop a working relationship with their community. If the community recognizes the district's importance, the potential for funding rises dramatically. Local government may be inclined to use the district for meeting a need. Furthermore, many local non-profit or community organizations want to support a locally based group. Often competition for local resources is not as competitive as on the state or federal level. In many cases, it is based on developing a relationship and meeting a need. Your district is well positioned to tap this potential source of funding. Several districts receive funding from their County Board of Supervisors. Some perform fee for service agreements with local governments and school districts. No opportunity should be overlooked.

Corporations Or Local Businesses: Many companies provide funds for programs that benefit the community and promote their company. Districts can use this to their advantage. The possibilities are endless. For example, a company may assist in sponsoring an education program. Local businesses may offer a district discounts on products or services, such as

seeds, tools, signage, wood, or even the printing of the district newsletter. However, it is important to remember that the district must maintain its autonomy and avoid conflicts of interest, especially since the RCD is a public entity.

Foundations: Numerous foundations provide funding to a variety of organizations including RCDs. Often their scope is very limited and they focus on specific issues. Typically foundation grants require less paperwork than do government grants and there may be less competition for these funds in certain regional areas.

When relying on grants, it is important to remember that funding is usually for a specific purpose and normally available only for a limited period of time. Therefore, it is critical for your district to develop a plan that continually replaces any particular source of funding to ensure that the districts programs and projects continue, uninterrupted.

There are thousands of grants available and it is impossible for your district to apply for all of them. Therefore, it is critical that your organization develop a list based on your district's priorities. The board should discuss the potential funding opportunities and collectively decide on which ones to pursue. This process ensures that all directors provide input and that the district's decision supports the strategic plan.

Normally, grants are awarded on a competitive basis. Applicants submit a proposal that is ranked and placed on a list. Grants are awarded to those organizations that have the highest scores. As a director, you are responsible for ensuring that the proposal submitted by your district is professionally prepared and meets all the necessary requirements. Although, the following checklist is not

comprehensive, it provides guidance on some areas you may want to review prior to submitting a proposal.

- ☐ Does the proposal meet all mandatory requirements?
- ☐ Is the proposal signed by the appropriate individual?
- ☐ Are support documents attached?
- ☐ Does the budget provide sufficient detail and do all the numbers add up correctly?
- ☐ Is the match requirement fulfilled, if required?
- ☐ Are partners identified and their role explained?
- ☐ Is the proposal neat and legible?
- ☐ Will it be submitted on time?
- ☐ Does the proposal clearly describe a problem or need? How does the proposal plan to solve the problem?
- ☐ If you were the grantor, would you fund this proposal?

Increasingly, funding organizations are looking for proposals that involve partners and demonstrate cooperation between local, state, and federal agencies as well as private and public entities. Therefore, your district should always strive to involve other organizations in the project, particularly from the local community. Finally, it is becoming more common for grantors to require matching funds. Therefore, it is important to ensure that proposals are developed with multiple funding sources in mind. The more matching funds and partners that are

incorporated into a proposal, the better the opportunity for funding becomes.

Finally, it is essential to remember that grant writing is a very competitive process. There are limited grant dollars and many applicants. Not every application can be selected for funding. Each proposal your district submits is another opportunity for funding and fine-tuning its grant application skills. If your district submits well-written and complete applications that involve partners, it is only a matter of time before your district receives money. **Don't Give Up!**

Districts have numerous funding sources available. In addition to those listed above, the local library, CARCD, the Internet, and various listserves are great resources to use to find potential funding sources. As a director, it is your responsibility to assist the district in locating and deciding the best funding source to implement the district's strategic plan. Each funding source has advantages and disadvantages. The best approach uses multiple funding sources and does not rely on one exclusively. As a director, you help establish the district's direction. It is crucial that you participate in prioritizing your district's programs and activities and grant opportunities.

Auditing

Section 26909 of the Government Code requires an annual audit of every special purpose district by the county auditor or a contracted CPA. For specific guidance and/or exceptions see the above section of the Government Code.

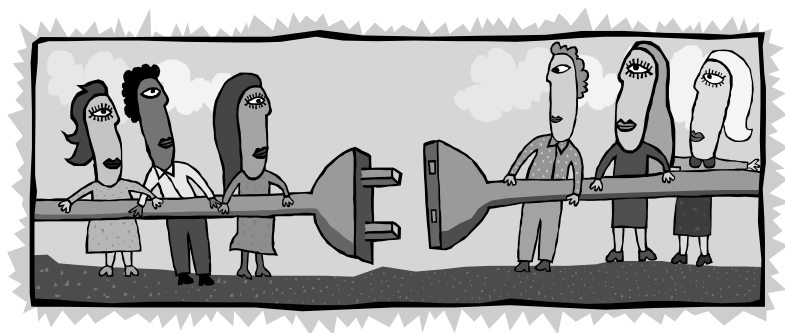


As the preceding paragraph

describes, audits are required by law. However, audits also provide an organization with a higher level of assurance. Special districts are not immune from fraud, theft, and mismanagement. **Remember as directors, you have the ultimate fiscal responsibility for your district's financial management.** Audits will not deter nor prevent all crime or mismanagement but they can minimize the risk. Furthermore, audits provide both the public and other government agencies with confidence in your organization. Audits establish public accountability and provide an independent review of your district that other non-governmental organizations need not provide to the public. Auditors can identify weaknesses in management controls and offer advice on improving and streamlining operations. For example, an audit may suggest that your organization adhere to the fundamental requirement that the same individual is not responsible for every facet of financial transactions. This simple control, separation of duties, may prevent your district from being a victim of gross negligence or fraud.

It is important for you to ensure that your district complies with the Government Code and that steps have been taken to protect not only district resources but also the district's reputation throughout the community.

PARTNERSHIPS



Partnering with other agencies, tribal governments, individuals and private entities is taking on an ever more important role to the success of RCDs. Budget constraints and limited staffing resources affect the ability of many agencies to fully implement their programs. Partnering is a way affected agencies can meet their program obligations given these limitations; therefore they are much more amenable to entering into partnering agreements than in the past.

In addition, many RCDs rely on state and federal grant monies to help fund their staffing and administration needs. During the selection process, grant review panels often are required to give higher scores to applicants who can demonstrate they are partnering with other agencies or groups. Government grants now commonly require matching funds (cash and in-kind) to qualify for funding. Partnering is an effective way of meeting the match requirements for many government grants. For example, one district successfully met its in-kind match requirement by partnering with a local Boy Scout troop to conduct GIS mapping of invasive plant species. Be creative and consider all types of partnerships.

Relationship of RCDs and NRCS

The relationship between RCDs and the US Department of Agriculture's Natural Resources Conservation Service (NRCS), formerly known as the Soil Conservation Service (SCS), has been long standing. NRCS was originally formed in 1937 to address the crisis of the Dust Bowl. Individual state legislation establishing local conservation districts was created shortly thereafter. Since then, NRCS and RCDs have had a close working relationship, with

NRCS appointing a local district conservationist to provide technical assistance to districts, as well as acting as a liaison between the district and federal programs. Local NRCS offices also frequently employ other specialists, such as soil conservationists and engineers, to provide additional types of technical assistance to the district.

RCDs and NRCS formally ratified their relationship through a Memorandum of Understanding (MOU) signed more than fifty years ago to establish a partnership and mutual roles between districts and the USDA. The MOU is reviewed by all partners annually. In 1994 the MOU was revised to modernize and reinvent the historic partnership, and to add state conservation agencies to the agreement. A number of other recent agreements were made to supplement the MOU and further define the roles of the partners. Additional information can be found on these agreements by referring to the introduction to the RCD Guidebook contained on the CD included with this handbook.

Often the close proximity and association of NRCS and RCDs confuses the public. Don't forget that RCDs and NRCS should each maintain separate identities so that public is not confused about what the districts can do and how they are funded. Districts are **not** federal agencies, nor have they ever been.

Other Partnerships

Two not-for-profit voluntary associations that assist RCDs are the California Association of Resource Conservation Districts (CARCD) and the National Association of Conservation Districts (NACD). CARCD is an advocate for natural resources and conservation public policy issues; coordinates and

supports RCD activity; and provides information, education and training programs to its members. NACD develops and advocates national conservation and natural resource policies at the federal level. It also provides technical services and information to member districts.

The Department of Conservation has a somewhat unique relationship with RCDs. Division 9 originally set up oversight of resource conservation in the state through a state Resource Conservation Commission. This commission was dismantled during the late 1970's when it was no longer funded by the Governor's budget, and some of its oversight responsibility fell to the department. While the department does not have regulatory oversight of RCDs, it serves districts by offering ongoing training on Division 9 and related government codes, providing permit and environmental review assistance, and by providing some financial assistance through its grant programs. These programs include the Watershed Coordinator Grants (\$2 million, a pilot project subject to further legislative approval) and the Resource Conservation District Assistance Grants (\$120 thousand annually).

RCDs in California, as a whole, have no formal relationship with most other federal, state, and private entities, though Division 9 encourages individual districts to form partnerships with any entities it might need to. Typically, agencies such as the US Environmental Protection Agency at the federal level, or California Department of Forestry and Fire Protection at the state level, willingly enter into agreements with individual districts to collaborate on projects. Districts typically enter into contracts (grant contracts or cost share agreements) to accomplish work both partners in the agreement view as mutually beneficial to resources in the district. Currently the

United States Forest Service and districts are negotiating California agreements.

Many districts also form working partnerships with agencies within their districts. For example, several districts work with the US Bureau of Land Management on conservation projects. The University of California Cooperative Extension is another common partner. In some counties, districts share office space with private organizations such as the Farm Bureau. Each District must determine how to actively cultivate partnerships that can assist the district in reaching its conservation goals.

PLANNING



While many districts perform traditional RCD roles such as conservation education or soil erosion reduction, they are often not connected to a greater network where conservation is pursued as a means to improve quality of life for all individuals within the district. For example, the issue of non-point source water pollution is pervasive, the public has become aware of some of the causes, and there is a popular desire to address the problems and prevent pollution of this type. This is an example of an area where districts may wish to seek greater involvement.

Although well situated within local communities, many districts have not fully mobilized to address conservation and environmental concerns. Numerous local organizations devoted to environmental concerns have been created in recent years while the existence of a local conservation district may have gone unrecognized. Despite extreme variation among districts, as a whole, they have not capitalized on the growing public interest in natural resource conservation. To preserve their role, districts need to aggressively redefine, promote, and market themselves as vital units of government for locally led conservation on local issues and problems.

The need to effectively mobilize districts becomes more apparent when trends of cooperating agency funding and personnel are examined. In recent years, both the Extension Service and NRCS have faced reductions in funding, and support staff for districts is on the decline.

This serves as indicators that districts must engage in a strategic planning process that will address new concerns, including those that may be raised by stakeholders during the process. Outcomes that could be realized through a strategic planning process include:

- A Mission and Vision for districts that is shared by directors and stakeholders.
- Goals and strategies that will enable districts to realize their mission and vision, thus improving natural resources conservation in the community.
- Development and implementation of programs and activities that will enable districts to accomplish their goals and strategies.
- An organizational assessment that will enable districts to build on their strengths and deal with issues of funding, personnel, training, public relations/marketing, and relationships with other entities and individuals.
- Development of an accountability plan that will provide the means for evaluating programs and activities so program impacts can be demonstrated.
- Productive relationships with cooperating agencies, other conservation and environmental organizations and agencies, and other groups with similar interests and goals that will result in improved natural resources conservation for the entire community.

Beyond these practical reasons for planning strategically in your district, long-range planning is one of the requirements outlined in Division 9 for the administration of a resource conservation district. The authors of Division 9 have specifically stated that long- and short-range plans will be an integral

part of district funding starting with the Year 2000, districts wishing to take advantage of state grant programs through the Department of Conservation will only qualify if they create long-range and annual plans.

The following four-step process is one approach to planning that incorporates many of the concepts of applied strategic planning. Other planning approaches may be more appropriate for individual RCDs, given their level of resources, staffing, sophistication, and activities. Additional information on planning can be found by referring to Volume 1, Step 3 of the RCD Guidebook contained on the CD included with this handbook.

Step 1: Developing a Long-Range Plan

The board of directors establishes a planning committee (the planners). The committee includes a variety of persons with diverse interests. In addition to directors, the committee may include associate directors, staff, representation from NRCS, other federal agencies, state agencies, city, county and tribal government, and the community at large. Such input is valuable to the RCD in optimizing its use of existing and anticipated funding sources and staff support.

When planning, each planner envisions a future for the district, given the community's needs. To do this, the planners determine the mission of the district. This may have already been done by individual districts but should be revisited from time to time. Its basic role in the community serves as a guide for planning the district's future direction. Cooperating organizations may also provide other insights for planning. The planners also assess the district's skills

and resources that may influence the district's ability to meet defined community needs. This assessment includes staff resources, financial resources, time, supplies, equipment, and expertise.

After developing a mission, each planner envisions the future of the district. Again, this may have already been done but should be revisited from time to time. Each imagines a future, commonly five to ten years from the present. A method useful in producing a vision of the future is to imagine a reporter writing an article on a very successful district. What does s/he see? What types of services does the district provide? How does it fund its services? What types of conservation program does it sponsor? Some examples of visions are: Adopt-a-Watershed programs put in place in the schools within the district; active Coordinated Resource Management Programs (CRMPs) in all targeted watersheds within the district; providing non-point source pollution education to local communities and municipalities and employment of a full-time district manager and other positions.

Envisioning a future naturally leads to the recognition of issues that are key to the success of the district (e.g., increasing soil erosion services to landowners). The planners draw district *objectives* from these key issues. Whereas key issues generally are not quantifiable, objectives specify details (e.g., increase the percentage of landowners participating in soil erosion programs from 10 percent to 25 percent). Each objective should adequately describe whom or what the objective is directed toward, the estimated date of attainment of the objective, and a concrete measure of progress (e.g., a measurable objective might be a 15 percent increase in child participation in an educational program by the end of the district's current fiscal year). A measurable objective allows

the planners to compare the results of a program or activity to its original intent.

After determining district objectives, the planners formulate the optimal method of attaining them. This can be described as paving a *path* to the vision. For instance, to meet the objective of reducing water pollution in a lagoon, the board could enact a clean-up and monitoring program funded by a specific state grant or partnership project. Considering each objective separately, the planners brainstorm several alternative paths that would plausibly meet the objective of concern. The goal is to merely write down whatever tactic comes to mind without evaluating it. Once several alternatives are available, the planners evaluate each.

The selection of the best path leads to the discovery of district *activities*. The planners ensure the description of each activity: indicates when the activity will commence and end; assigns responsibility to a person or persons for ensuring satisfactory completion of the activity; allocates work resources to the tasks detailed; establishes realistic goals; and ideally provides alternative plans should situations change. Also, the planners ensure each foreseeable activity produces results and elicits the commitment of the participants. Some milestones should be attainable in the near term to encourage a sense of progress and achievement, while other mid-term and long-term milestones should also be apparent.

Once the objectives and activities have been determined, it is often necessary to prioritize the activities based on available resources. Once this is done, the planners record this information in a logical and organized *long-range plan*. The long-range plan provides for orderly implementation and reduces the

chances for confusion. The long-range plan should provide sufficient information and instructions for the district to perform the activities and projects that can and will meet the stated objectives.

Step 2: Developing an Annual Plan

To make the implementation of the long-range plan more manageable, the planners divide long-range objectives and activities into more workable annual portions. They then implement the resulting *annual plans*. For example, suppose the district will take five years to reach its vision. The planners divide these five years of work into five logical divisions, each of which will take one year to complete. The board then pursues higher priority objectives first. To prioritize the long-range objectives, the planners compare each objective's cost-to-benefit ratio, overall resources available and the absolute benefit a community might receive. To achieve an objective, the district must expend a certain amount of money and other operating resources (the cost). In return, it promotes conservation (the benefit). An objective with a lower ratio often has higher priority than one with a higher ratio, but this does not preclude a district from prioritizing a project that they are firmly committed to as a public benefit, for example creating educational brochures or manuals on various topics without a specific dollar amount return. The cost/benefit ratio for such a project may be seen as an unquantifiable marketing or public relations tool, as well as a catalyst to encourage voluntary conservation practices.

Step 3: Annual Plan Implementation

Once the annual plan has been prepared, the district should begin to implement it. The essential ingredient in implementing the annual plan is management. The board of directors ensures the participants are capable of performing the activities and services delineated by the annual plan. The board monitors their work and ensures that they successfully implement short-term activities, with a view to longer-term implementation as well. It is important to devise methods to anticipate shortcomings, such as holding formal progress reviews and setting intermediate work goals or milestones. The board also monitors and evaluates the district's progress toward its objectives. If district activities begin to depart from the plan, the board adjusts them. Or perhaps the plan itself needs to be reevaluated. If the board anticipates changes in the plan; it detects problems before they escalate and it provides solutions that get the district back on track.

Step 4: Annual Report

To evaluate the progress the district has made toward solving conservation problems, the planners must generate an annual status report. The report summarizes the accomplishments of the district and the work directors, staff, participants, partners and volunteers have contributed during the year. The report also recognizes activities and projects identified in the annual work plan that may not have been completed and that require further effort. As a consequence of generating measurable objectives with specific deadlines for completion, the planners can compare the annual objectives listed in the annual work plan with the actual results presented in

the annual report. They should pay attention to any shortcomings and attempt to understand the causes behind them, including revising the objectives with more reachable goals if necessary. This understanding forms the basis of long-range plan revisions.

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